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Crossject

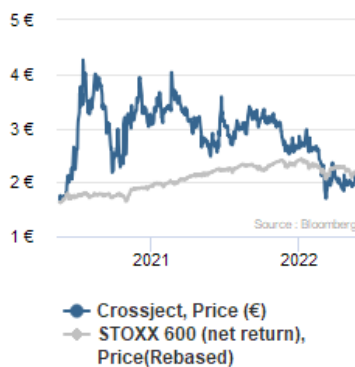
Some patience still required

Opinion	Buy
Upside (%)	396
Price (€)	2.17
Target Price (€)	10.7
Bloomberg Code	ALCJ FP
Market Cap (€M)	54.9
Enterprise Value (€M)	110
Momentum	GOOD
Sustainability	4/10
Credit Risk	BBB→

KEY DATA	12/19A	12/20A	12/21E	12/22E	12/23E
Adjusted P/E (x)	-3.81	-5.33	-11.1	3.44	1.54
Dividend yield (%)	0.00	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-7.85	-11.3	-16.9	3.94	2.04
Adjusted EPS (€)	-0.49	-0.49	-0.28	0.63	1.41
Growth in EPS (%)	n/a	n/a	n/a	n/a	123
Dividend (€)	0.00	0.00	0.00	0.00	0.00
Sales (€M)	5.99	5.73	5.86	51.9	94.6
EBIT margin (%)	0.00	0.00	0.00	100.0	100.0
Attributable net profit (€M)	-7.78	-10.1	-6.61	15.9	35.5
ROE (after tax) (%)	-333	-1,072	153	2,677	134
Gearing (%)	113			434	131

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Conflicts of interest

Corporate broking	No
Trading in corporate shares	No
Analyst ownership	No
Advice to corporate	No
Research paid for by corporate	Yes
Corporate access	No
Brokerage activity at AlphaValue	No
Client of AlphaValue Research	No

Detailed financials at the end of this report

Key Ratios

		12/20A	12/21E	12/22E	12/23E
Adjusted P/E	x	-5.33	-11.1	3.44	1.54
EV/EBITDA	x	-11.3	-16.9	3.94	2.04
P/Book	x	-52.1	-10.4	6.27	1.23
Dividend yield	%	0.00	0.00	0.00	0.00
Free Cash Flow Yield	%	-18.2	-4.61	-63.7	-11.8
ROE (after tax)	%	-1,072	153	2,677	134
ROCE	%	-60.3	-65.2	28.1	36.3
Net debt/EBITDA	x	-2.50	-3.50	1.98	1.08

Consolidated P&L

		12/20A	12/21E	12/22E	12/23E
Sales	€M	5.73	5.86	51.9	94.6
EBITDA	€M	-6.69	-5.81	27.8	57.1
Underlying operating profit	€M	-10.6	-9.16	24.5	53.7
Operating profit (EBIT)	€M	-10.6	-9.16	24.5	53.7
Net financial expenses	€M	-0.54	-0.70	-0.70	-0.70
Pre-tax profit before exceptional items	€M	-11.2	-9.86	23.8	53.0
Corporate tax	€M	1.65	3.25	-7.85	-17.5
Attributable net profit	€M	-10.1	-6.61	15.9	35.5
Adjusted attributable net profit	€M	-10.1	-6.61	15.9	35.5

Cashflow Statement

		12/20A	12/21E	12/22E	12/23E
Total operating cash flows	€M	-4.09	-1.17	-31.4	-3.49
Capital expenditure	€M	-6.10	-1.72	-2.66	-2.27
Total investment flows	€M	-6.10	-1.72	-2.66	-2.27
Dividends (parent company)	€M				
New shareholders' equity	€M	0.00	0.00	0.00	0.00
Total financial flows	€M	-1.00	13.2	24.1	9.30
Change in net debt position	€M	-11.2	-3.59	-34.7	-6.45
Free cash flow (pre div.)	€M	-10.7	-3.59	-34.7	-6.45

Balance Sheet

		12/20A	12/21E	12/22E	12/23E
Goodwill	€M	0.00	0.00	0.00	0.00
Total intangible	€M	7.54	7.20	6.87	6.53
Tangible fixed assets	€M	6.76	5.96	6.10	5.86
WCR	€M	-2.05	-3.43	47.9	91.0
Total assets (net of short term liabilities)	€M	21.7	19.0	69.9	112
Ordinary shareholders' equity (group share)	€M	-1.13	-7.50	8.69	44.4
Provisions for pensions	€M		0.00	0.00	0.00
Net debt / (cash)	€M	16.7	20.3	55.0	61.5
Total liabilities and shareholders' equity	€M	21.7	19.0	69.9	112

Per Share Data

		12/20A	12/21E	12/22E	12/23E
Adjusted EPS (bfr goodwill amort. & dil.)	€	-0.49	-0.28	0.63	1.41
Net dividend per share	€	0.00	0.00	0.00	0.00
Free cash flow per share	€	-0.52	-0.15	-1.37	-0.26
Book value per share	€	-0.05	-0.30	0.35	1.77
Number of diluted shares (average)	Mio	20.5	24.0	25.4	25.3

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Businesses & Trends

A new entrant on the New Therapeutic Entities market (NTEs)

We regard Crossject as a new entrant in the speciality pharma field. Its differentiating feature is its delivery mechanism, Zeneo, a pretty unique needle-free injection system. Crossject has completed clinical trials on a first well-known molecule, Methotrexate, with another six to go in the pipeline. Zeneo is the fruit of over 15 years of R&D. It is an automatic single-use pre-filled needle-free injection device to be used, for example, on the thigh or abdomen. The technology is based on a high-pressure injection allowing a drug to be administered rapidly (1/10 sec) into the tissue. This is a major technological breakthrough in relation to traditional injection methods (syringe and needle) and to the best current auto-injectors (injector pens). This new medical device is user-friendly, reliable and safe and is the best self-injection device among the known products being developed. Zeneo guarantees a safe, controlled and effective injection to patients. It can perform intramuscular or subcutaneous injections, the most commonly used methods. All tests on healthy volunteers and animal or human-skin *ex-vitro* models have shown that Zeneo is as efficient as current injection methods and easier/intuitive to use, avoids contamination issues due to needles and is more rapid than existing methods. The device has been tested on various molecules (size, structure, fragility....). This said, the device still needs to be approved “once it is combined with a drug”, since it then represents a new therapeutic entity.

Crossject has initially chosen to address the NTE (New Therapeutic Entities) market, a concept that consists of using a known drug with an innovative delivery system, thus improving patient comfort. This strategy, particularly used by Teva, has proven to be successful since it typically results in an improved administration of the drug as well as offering its promoters patent protection, independent of the initial molecule. This results in better patient compliance and in turn enhanced overall drug efficacy. Crossject’s strategy is to develop its NTE proprietary portfolio and to use partnerships for the marketing/distribution.

The portfolio is already wide

Today, Crossject has a portfolio of seven products under development: Naloxone (opioid overdoses), Sumatriptan (acute migraine), Midazolam (epilepsy), Epinephrine (treatment of anaphylactic shocks), Methotrexate (anti-rheumatic), Hydrocortisone (anti inflammation) and Terbutaline (acute asthma). Lastly, Apomorphine (Parkinson’s disease) has been put on stand-by (replaced by Terbutaline, within a financing programme of BPI France). We expect the first sales to take place in FY22 once clinical studies and the registration process have been completed, noting clinical studies for Methotrexate are already done.

The competition Crossject has to face depends on the NTEs currently under development one looks at: pens or nasal sprays already exist as far as Naloxone (“Evzio” pen and Narcan), Midazolam (Pfizer, Upsher-Smith) or Epinephrine (six pens on the market) are concerned, while injections are available for most of the diseases mentioned (as well as other routes, e.g. oral or inhalation). The key point is that Zeneo offers a superior quality (in terms of ease-of-use, efficiency, control and safety) and thus aims at gaining market

share over existing products, while its needle-free feature is a clear competitive advantage. A recent study quoted by EMA (European Medicines Agency – 25/062015 EMA/478468/2015, Committee for Medicinal Products for Human Use – CHMP) showed that only 16% of pen users performed the injection correctly in cases of severe anaphylactic shock (Adrenaline), which gives a feeling for the sound prospects of Zeneo. Other needle-free devices are available on the market or being developed, but usually dedicated to other uses (vaccines, insulin), such as Bioject's Biojector, Zomacton or Prime.

A huge market backs sound growth prospects

It is not easy to determine the total size of the markets Crossject addresses: first, the company will develop other NTEs in the future. From c. 900 identified compounds that could be injected, Crossject estimates that 200 are compatible with the Zeneo device, 100 of which are free of rights. The company has thus identified 20 molecules which could be developed as first priorities. Secondly, each market should be looked at independently, since their size varies a lot. As an example, we estimate the Triptan market to be worth more than US\$5bn (but of course less in the non-injectable form), the Methotrexate market to be worth US\$1bn worldwide while the Midazolam (US\$1bn) or Naloxone markets (US\$2bn) also offer significant opportunities. The market for Terbutaline is also probably at least in the US\$1bn region, considering that 8% of people suffer from asthma, of which 10% in its severe form, on both sides of the Atlantic (we have not considered the Asian opportunity). Lastly, Hydrocortisone, as far as it is concerned, is a niche market of c. US\$50m. However, we can still derive from these numbers that the total addressable market today is worth a good US\$5bn (for the seven NTEs under development) which gives Crossject ample room for growth. Moreover, the theoretical total market is much wider, since many NTEs are compatible with the Zeneo drug-delivering device, as stated earlier. Although this is not in management's plans today, we can only notice that the vaccine market (almost US\$15bn, with a CAGR of c.10%) would more than double the total market targeted by Crossject, which gives an indication of the potential "limitless" growth the company could enjoy, without other potential fields such as hypoglycaemia for example.

Based on our estimates, Crossject should be able to generate a total turnover of over €200m as soon as 2023 (at in-market prices), which should breakdown as follows:

Turnover per NTE (€m)	2020	2021e	2022e	2023e
Naloxone				
units sold (m)	0	0	0,3	0,8
Turnover	0,0	0,0	11,0	29,4
Sumatriptan				
units sold (m)	0	0	0,3	0,8
Turnover	0,0	0,0	0,0	8,4
Midazolam				
units sold (m)	0	0	0,5	0,75
Turnover	0,0	0,0	34,3	51,4
Apomorphine				
units sold (m)	0	0	0	0
Turnover	0,0	0,0	0,0	0,0
Epinephrin				
units sold (m)	0	0	0,6	0,8
Turnover	0,0	0,0	35,1	46,8
Methotrexate				
units sold (m)	0	0	0,5	1
Turnover	0,0	0,0	19,1	38,2
Hydrocortisone				
units sold (m)	0	0	0,1	0,2
Turnover	0,0	0,0	4,7	9,4
Terbutaline				
units sold (m)	0,0	0,0	0,3	0,6
Turnover	0,0	0,0	11,3	26,7
Total turnover (€m)	0,0	0,0	115,4	210,2

Source: Datamonitor, Crossject, AlphaValue estimates.

Divisional Breakdown Of Revenues

Sector	12/20A	12/21E	12/22E	12/23E	Change 21E/20		Change 22E/21E	
					€M	of % total	€M	of % total
Total sales	5.74	5.86	51.9	94.6	0+	100%	46+	100%
Methotrexate Smaller Pharma	0.00	0.00	8.59	17.2	0+	0%	9+	19%
Epinephrine Smaller Pharma	0.00	0.00	15.8	21.0	0+	0%	16+	34%
Sumatriptan Smaller Pharma	0.00	0.00	0.00	3.77	0+	0%	0+	0%
Midazolam Smaller Pharma	0.00	0.00	15.4	23.1	0+	0%	15+	33%
Hydrocortisone Smaller Pharma	0.00	0.00	2.10	4.21	0+	0%	2+	5%
Naloxone Smaller Pharma	0.00	0.00	4.96	13.2	0+	0%	5+	11%
Apomorphine Smaller Pharma	0.00	0.00	0.00	0.00	0+	0%	0+	0%
Terbutaline Supergenerics	0.00	0.00	5.07	12.0	0+	0%	5+	11%
Other	5.74	5.86	0.01	0.01	0+	100%	-6+	-13%

Key Exposures

	Revenues	Costs	Equity
Dollar	80.0%	5.0%	0.0%
Emerging currencies	5.0%	0.0%	0.0%
Long-term global warming	0.0%	0.0%	0.0%

Sales By Geography

Americas	55.0%
Europe	25.0%
Of which France	10.0%
Asia	20.0%
Of which China	15.0%

We address exposures (eg. how much of the turnover is exposed to the \$) rather than sensitivities (say, how much a 5% move in the \$ affects the bottom line). This is to make comparisons easier and provides useful tools when extracting relevant data. Actually, the subject is rather complex on the ground. The default position is one of an investor managing in €. An investor in £ will obviously not react to a £ based stock trading party in € as would a € based investor. In addition, certain circumstances can prove difficult to unravel such as for eg. a € based investor confronted to a Swiss company reporting in \$ but with a quote in CHF... Sales exposure is probably straightforward but one has to be careful with deep cyclicals. Costs exposure is a bit less easy to determine (we do not allow for hedges as they can only be postponing the day of reckoning). How much of the equity is exposed to a given subject is rarely straightforward but can be quite telling. In addition, subjects are frequently intertwined. A \$ exposure may encompass all revenues in \$ pegged currencies and an emerging currency exposure is likely to include \$ pegged currencies as well. Exposure to global warming issues is frequently indirect and may require to stretch a bit imagination.

Money Making

Rather conservative assumptions

Our assumptions are based on the launches of the seven current NTEs the group is developing, only one of which (Methotrexate) has already successfully completed clinical studies. For the remaining specialities, clinical studies will be carried out in FY21-22. Thereafter, regulatory approvals can be obtained with commercial launches expected in FY22; We have based our estimates on the following assumptions: first, products will be sold through partnership agreements. This means Crossject will benefit from upfront fees and royalties, the former financing part of the clinical studies. Altogether, this boils down to considering that Crossject's turnover is a fraction (40%) of the final user's purchasing price, the difference representing the distributor/wholesaler's margin to account for logistics and marketing costs. We have also considered a risk factor: 50% for all NTEs, except for Methotrexate (70%, i.e. a 30% risk of failure), where clinical studies were completed and partners found in France, India and China, and Adrenaline (70%) for which a partnership agreement is already in place. This seems to be reasonable and quite conservative, given the fact that the registration/filing process is much lighter and, in all odds, much quicker than for a new compound (which typically takes 10 years from early development stages to the market). In the case of NTEs, the time needed is closer to three years, depending on which product/geography is involved and should never exceed five years in our view. The efficacy of molecules has already been proven (as is the lack of safety). The application for NTEs should only require bioequivalence studies (and not the full scope of clinical surveys), reducing costs (€3-4m vs €200m for a new chemical entity, i.e. a new drug) and, just as important, the time needed before products reach the market. In brief, the filing (FDA and EMA) will then only focus on the product's reliability (technical file) and the bioequivalence results.

Our forecasts are rather cautious

As a result, our estimates are based on the group's assumptions in terms of number of units sold (i.e. Zeneo devices) and their ramp-up from commercial launch to maturity, for each sub-market (i.e. each NTE), with a probability that is the risk factor assessing both potential issues in the approval process and the risk not being able to find a suitable partner. Although it is not easy to determine so early on the market share Crossject could gain in each sub-market, the group has reasonable targets (10-20% except for Hydrocortisone where it claims to be able to control 30% of this small market). To be on the conservative side, we have also considered that these market share targets will not be reached before 2025 that is c. five years after market launch depending on the NTE.

As an example, we have assumed Adrenaline will be launched in 2022, but we have also considered a 70% probability since a partnership is already in place with an undisclosed partner, and that Crossject will sell 1.7m doses a year by 2026 (with a target at maturity of 2m) for an in-market price of €40 in Europe and US\$150 in the US. This results in a theoretical €142m turnover by 2026 (at end-user price), or €99m given the 70% probability we assign to this NTE (even if, from an accounting standpoint, Crossject will get only a share of it

(45%) and the “full” turnover (volumes at in-market price) will be booked on its partner’s books.

Lastly, the company will be quite heavily dependent on the US\$, first because volumes will be significant in the US and, second, since prices are also much higher there (sometimes as much as 5-6 times the price in the EU). The impact will be both translation-wise (pure US\$/€ parity) and transaction-wise (costs are mainly in €).

Divisional EBIT

	12/20A	12/21E	12/22E	12/23E	Change 21E/20		Change 22E/21E	
					€M	of % total	€M	of % total
Total	0.00	0.00	51.9	94.6	0 ↑	NA	52 ↑	100%
Royalty income								
Product sales	0.00	0.00	51.9	94.6	0 ↑	NA	52 ↑	100%
Other/cancellations								

Divisional EBIT margin

	12/20A	12/21E	12/22E	12/23E
Total	0.00%	0.00%	100.0%	100.0%

Valuation

All peer-based valuations have no meaning since Crossject currently has no revenues and negative results. Our NAV valuation is based on a 3x multiple of 2021-23 revenues for all segments, which compares to a ratio of 3.3x for our sample. On the one hand, these revenues will not be booked for two years, which should lead us to a discount, however, they only correspond to the ramp-up in sales, meaning that growth rates will be high after 2022 and that these figures are very conservative ones indeed, which explains why we chose not to discount them. The multiple used is rather common for biotech and pharma companies, particularly for those that have a significant R&D pipeline and, thus, high growth prospects. A transaction value would certainly end up at a higher level (5-10x sales, depending on the pharma segment). As an indication of this, Emergent Biosolutions announced in FY18 that it would buy Adapt Pharma (the developer of Narcan, an FDA-approved naloxone nasal spray for US\$635m (+US\$100m in sales milestones), while we estimate sales of c.US\$150m for FY18, implying a c.4.9x sales multiple.

Our DCF is based on our forecasts for each of the seven NTEs currently under development, considering that all of them will be sold through partnerships. We have also factored in a risk associated with the development of each specialty (50% or 70% probability of success as discussed in the Money Making section, depending on the status of clinical trials and the need to find a partner). We have also used a long-term top-line growth of 10% and an out-year EBITDA growth of 16%.

It is worth noting that our target price is derived from a weighted average of all methods used, NAV and DCF both showing huge potential upsides (which together account for 55% of our total valuation), while all comparison-based methods lead to weak numbers in the absence of results for the time being. In other words, the valuation of the stock is penalized and should go up quickly when the first products reach the market and enable Crossject to post profits. This also suggests it will take some time for the market to reflect the group's potential fully and explains our title. Patience will indeed be needed but the reward could be huge.

Valuation Summary

Benchmarks		Values (€)	Upside	Weight
DCF		15.8	632%	40%
NAV/SOTP per share		9.66	346%	40%
P/E	Peers	4.33	100%	5%
EV/Ebitda	Peers	4.33	100%	5%
P/Book	Peers	1.86	-14%	5%
Dividend Yield	Peers	0.00	-100%	5%
Target Price		10.7	396%	

Comparison based valuation

Computed on 18 month forecasts	P/E (x)	Ev/Ebitda (x)	P/Book (x)	Yield(%)
Peers ratios	15.8	9.37	1.90	1.51
Crossject's ratios	2.22	2.76	2.22	0.00
Premium	0.00%	0.00%	0.00%	0.00%
Default comparison based valuation (€)	4.33	4.33	1.86	0.00
UCB	20.7	13.1	1.82	1.03
Ipsen	13.4	6.76	2.27	1.39
Hikma Pharmaceuticals	10.4	6.28	1.74	2.79
Faes Farma	12.2	8.74	1.82	4.55

DCF Valuation Per Share

WACC	%	6.70	Avg net debt (cash) at book value	€M	37.7
PV of cashflow FY1-FY11	€M	20.9	Provisions	€M	0.13
FY11CF	€M	39.9	Unrecognised actuarial losses (gains)	€M	0.00
Normalised long-term growth "g"	%	2.00	Financial assets at market price	€M	0.00
Sustainability "g"	%	1.70	Minorities interests (fair value)	€M	0.00
Terminal value	€M	798	Equity value	€M	401
PV terminal value	€M	417	Number of shares	Mio	25.3
PV terminal value in % of total value	%	95.2	Implied equity value per share	€	15.8
Total PV	€M	438	Sustainability impact on DCF	%	-6.24

Assessing The Cost Of Capital

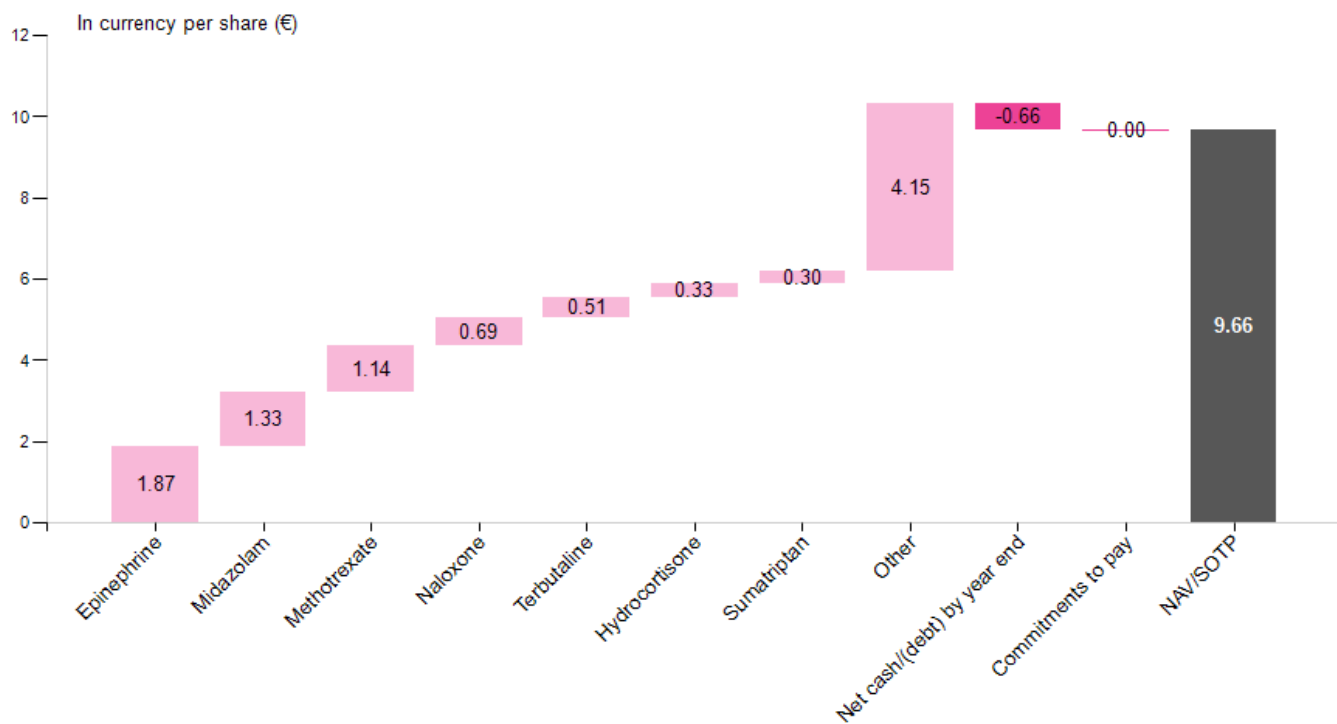
Synthetic default risk free rate	%	3.50	Company debt spread	bp	150
Target equity risk premium	%	5.00	Marginal Company cost of debt	%	5.00
Tax advantage of debt finance (normalised)	%	30.0	Company beta (leveraged)	x	0.87
Average debt maturity	Year	5	Company gearing at market value	%	37.3
Sector asset beta	x	0.69	Company market gearing	%	27.2
Debt beta	x	0.30	Required return on geared equity	%	7.83
Market capitalisation	€M	54.5	Cost of debt	%	3.50
Net debt (cash) at book value	€M	20.3	Cost of ungeared equity	%	6.97
Net debt (cash) at market value	€M	19.3	WACC	%	6.70

DCF Calculation

		12/20A	12/21E	12/22E	12/23E	Growth	12/24E	12/31E
Sales	€M	5.73	5.86	51.9	94.6	10.0%	104	203
EBITDA	€M	-6.69	-5.81	27.8	57.1	16.0%	66.2	187
EBITDA Margin	%	-117	-99.2	53.6	60.3		63.6	92.2
Change in WCR	€M	0.96	1.39	-51.4	-43.0	12.0%	-48.2	-107
Total operating cash flows (pre tax)	€M	-5.74	-4.42	-23.5	14.0		18.0	80.5
Corporate tax	€M	1.65	3.25	-7.85	-17.5	10.0%	-19.2	-37.5
Net tax shield	€M	-0.16	-0.21	-0.21	-0.21	0.00%	-0.21	-0.21
Capital expenditure	€M	-6.10	-1.72	-2.66	-2.27	6.00%	-2.40	-3.61
Capex/Sales	%	-106	-29.3	-5.12	-2.40		-2.31	-1.78
Pre financing costs FCF (for DCF purposes)	€M	-10.3	-3.10	-34.2	-5.96		-3.88	39.1
Various add backs (incl. R&D, etc.) for DCF purposes	€M							
Free cash flow adjusted	€M	-10.3	-3.10	-34.2	-5.96		-3.88	39.1
Discounted free cash flows	€M	-10.3	-3.10	-32.1	-5.24		-3.20	20.5
Invested capital	€	12.4	9.84	61.0	103		110	165

NAV/SOTP Calculation

	% owned	Valuation technique	Multiple used	Valuation at 100% (€M)	Stake valuation (€M)	In currency per share (€)	% of gross assets
Epinephrine	100%	EV/Sales	3	47.3	47.3	1.87	18.1%
Midazolam	100%	EV/Sales	3	33.6	33.6	1.33	12.9%
Methotrexate	100%	EV/Sales	3	28.8	28.8	1.14	11.0%
Naloxone	100%	EV/Sales	3	17.4	17.4	0.69	6.67%
Terbutaline	100%	EV/Sales	3	12.9	12.9	0.51	4.94%
Hydrocortisone	100%	EV/Sales	3	8.40	8.40	0.33	3.22%
Sumatriptan	100%	EV/Sales	3	7.50	7.50	0.30	2.87%
Apomorphine	100%	EV/Sales	3	0.00	0.00	0.00	0.00%
Other					105	4.15	40.2%
Total gross assets					261	10.3	100%
Net cash/(debt) by year end					-16.7	-0.66	-6.41%
Commitments to pay					-0.13	0.00	-0.05%
Commitments received							
NAV/SOTP					244	9.66	93.5%
Number of shares net of treasury shares - year end (Mio)					25.3		
NAV/SOTP per share (€)						9.66	
Current discount to NAV/SOTP (%)						77.6	



Debt

At year-end 2020, the group had a net debt position of €17m. The bulk of the capex has been spent (i.e. the industrial investment needed for the production of c.1.5m Zeneo devices). This includes €3.8m in capex in 2014-15, €3.2m in FY18, €4.4m in FY19 and another €6m in FY20. Looking onwards, we have considered a recurring capex (€2m) to which is added an “expansion” capex of €3m for each additional 3m units sold (which is probably not the way capex will be spent since these “thresholds” do not necessarily require such high levels of investment). Another important issue before first sales are booked is the amount needed to finance the clinical studies. According to management, the full development of each NTE costs c. €2-3m (including clinical studies) and is spent in the two years preceding market approval. This comes on top of the “normal” cash-burn of the company before its products are on shelves. However, Crossject will also benefit from upfront fees once partnership agreements are signed, on top of the benefit for tax credits and the remaining part of the “PIAVE” financing. At the end of the day, our view is that the group is self-financed provided it is able to sign partnerships in the short term. Otherwise, Crossject may have to resort to the financial markets or find another financial solution to raise cash (for instance, by “selling” future royalties to a financial partner). The group, which has already resorted to capital increases to finance its short-term needs (first through an equity line in place since FY16 and a €5m capital increase in March 2017), has issued a €5.3m convertible bond in March 2018 and another €2.5m in July. A €3.9m capital increase was announced on 28 November 2018, at a price of €1.16, with the new 3.4m shares listed before the year-end (28 December 2018). The conversion of convertible bonds in FY19 has reduced bond debt by c. €5m. At the end of FY19, the group issued a new convertible bond worth €5.7m. Lastly, the group issued two bonds (each worth €5.24m, of which is a convertible) in December 2020.

Detailed financials at the end of this report

Funding - Liquidity

		12/20A	12/21E	12/22E	12/23E
EBITDA	€M	-6.69	-5.81	27.8	57.1
Funds from operations (FFO)	€M	-6.05	-3.26	19.3	38.9
Ordinary shareholders' equity	€M	-1.13	-7.50	8.69	44.4
Gross debt	€M	17.3	31.2	56.0	66.0
+ Gross Cash	€M	0.61	10.9	0.96	4.51
= Net debt / (cash)	€M	16.7	20.3	55.0	61.5
Gearing (at book value)	%			434	131
Equity/Total asset (%)	%	-5.20	-39.5	12.4	39.7
Adj. Net debt/EBITDA(R)	x	-2.50	-3.50	1.98	1.08
Adjusted Gross Debt/EBITDA(R)	x	-2.61	-5.40	2.02	1.16
Adj. gross debt/(Adj. gross debt+Equity)	%	107	131	86.6	59.8
Ebit cover	x	-19.7	-13.1	35.0	76.7
FFO/Gross Debt	%	-34.6	-10.4	34.4	58.8
FFO/Net debt	%	-36.1	-16.0	35.1	63.2
FCF/Adj. gross debt (%)	%	-61.4	-11.4	-61.9	-9.76
(Gross cash+ "cash" FCF+undrawn)/ST debt	x	-2.74	11.4		
"Cash" FCF/ST debt	x	-3.02	-5.59		

Worth Knowing

Zeneo, an automatic, single-use needle-free injection device was originally developed within Laboratoires Fournier in its « drug delivery » division, together with SNPE (Société Nationale des Poudres et Explosifs, which is a shareholder of Crossject). In 2001, the technology was sold to the newly-created Crossject. GSK was originally the main partner of Crossject, with a view to developing a solution for its vaccines. This market was ultimately considered as too risky in terms of investment needs, low margins and the high volumes required and so Crossject was restructured in 2011-13, with a change in the group's strategy: the goal of Crossject is no longer to sell a device to the Big Pharmas to market their own chemical entities, but to provide the market with its own pre-filled devices, on the basis of New Therapeutic Entities, using a known drug with an innovative delivery system. An industrial partnership has also been signed with Cenexi in 2016 (aseptic filling and final packaging). Today, the Zeneo device is protected by over 400 patents in countries covering 80% of the global market (including the US, Europe and Japan) and valid until 2036.

Shareholders

Name	% owned	Of which % voting rights	Of which % free to float
Gemmes Ventures	24.2%	30.0%	0.00%
SNPE	2.80%	2.80%	0.00%
Other	2.42%	2.42%	0.00%
IDEB	0.65%	0.65%	0.00%
Treasury Shares	0.65%	0.65%	0.00%
Apparent free float			69.2%

Sustainability

As a small cap company, Crossject probably still pays less attention to ESG issues than larger groups at this stage. Still, a brief section of its annual report describes what the company considers as the seven fields where these concerns are doomed to rise in the future: governance (see the relevant section), human rights, the environment, working relations, ethics, local development and consumer-related issues. The group also indicates that an ethical charter (particularly useful in the US context) has been released in FY20.

Sustainability score

Sustainability is made of analytical items contributing to the E, the S and the G, that can be highlighted as sustainability precursors and can be combined in an intellectually acceptable way. This is the only scale made available

	Score	Weight
Governance		
Independent directors rate	6/10	25%
Board geographic diversity	0/10	20%
Chairman vs. Executive split	✓	5%
Environment		
CO ² Emission	1/10	25%
Water withdrawal	1/10	10%
Social		
Wage dispersion trend	6/10	5%
Job satisfaction	10/10	5%
Internal communication	10/10	5%
<hr/>		
Sustainability score	3.7/10	100%

Governance & Management

The Board comprises five members, mainly representing the group's main shareholders (Gemmes Venture, SNPE) and is chaired by Philippe Monnot (Gemmes Venture). For this reason, we do not consider it very independent, as is often the case for small-cap companies.

Governance score

Company (Sector)

6.6 (6.7)

Independent board

Yes

Parameters	Company	Sector	Score	Weight
Number of board members	5	11	10/10	5.0%
Board feminization (%)	0	33	1/10	5.0%
Board domestic density (%)	100	48	0/10	5.0%
Average age of board's members	58	60	6/10	5.0%
Type of company : Small cap, not controlled			10/10	25.0%
Independent directors rate	60	34	6/10	20.0%
One share, one vote			✗	5.0%
Chairman vs. Executive split			✓	5.0%
Chairman not ex executive			✓	5.0%
Full disclosure on mgt pay			✗	5.0%
Disclosure of performance anchor for bonus trigger			✗	5.0%
Compensation committee reporting to board of directors			✓	5.0%
Straightforward, clean by-laws			✓	5.0%
Governance score			6.6/10	100.0%

Management

Name		Function	Birth date	Date in	Date out	Compensation, in k€ (year)	
						Cash	Equity linked
Patrick ALEXANDRE	M	CEO	1955	2001		211 (2020)	
Henri DE PARSEVAL	M	Member of the management board		2014			
Olivier GIRÉ	M	Member of the management board		2016			
Isabelle LIEBSCHUTZ	F	Member of the management board		2013			

Board of Directors

Name		Indep.	Function	Completion of current mandate	Birth date	Date in	Date out	Fees / indemnity, in k€ (year)	Value of holding, in k€ (year)
Eric NEMETH	M	✓	Deputy Chairman						
Patrice COISSAC	M	✓	Member						
Jean-François LOUMEAU	M	✓	Member	2021	2018				
Yannick PLÉTAN	M	✗	Member		2019				

Environment

As a small cap company, Crossject still releases a very limited amount of information of this topic.

Environmental Score

Data sets evaluated as trends on rolling calendar, made sector relative























Parameters	Score	Sector	Weight
Energy	1/10	4/10	25%
CO ² Emission	1/10	4/10	30%
Waste	1/10	5/10	15%
Water withdrawal	1/10	5/10	30%

Company (Sector)

1.00 (4.29)

Environmental metrics

Sector figures

Company	Country	Environment score	Energy (total, in GJ)	CO ₂ Emissions (in tons)	Water Withdrawal (in m ³)	Waste (total, (in tons)
Sensei Biotherapeutics		1/10				
Glaxosmithkline		6/10	14,945,600	840,000	10,170,000	98,400
Novartis		7/10	9,770,000	647,000	47,900,000	129,100
Sanofi		7/10	14,778,043	660,481	31,400,000	254,730
AstraZeneca		8/10	6,253,646	267,017	3,820,000	28,848
Bayer		4/10	34,835,000	3,170,000	55,000,000	998,000
Novo Nordisk		9/10	3,387,000	93,000	3,488,000	181,000
Merck		5/10	8,834,400	1,843,000	13,460,000	213,000
Roche Holding		7/10	8,523,000	438,187	15,400,000	25,467
Lonza Group		2/10	11,070,000	798,000	137,274,000	172,761
Grifols		7/10	1,614,800	264,821	3,283,725	44,949
Novozymes		6/10	4,475,000	234,000	7,998,000	15,300
UCB		9/10	971	51,505	569,827	5,950
H Lundbeck		10/10	388,944	32,174	223,339	16,590
Faes Farma		7/10	52,172	6,112	185,685	1,517
BB Biotech		8/10		77	3,434	9
Genmab		1/10				
Hikma Pharmaceuticals		5/10	1,366,600	116,597	1,065,479	8,890
Ipsen		7/10	418,173	25,315	368,861	4,274
Vifor Pharma		9/10	151,439	6,785	195,812	989
Siegfried		2/10	2,045,000	77,273	6,052,000	76,710
Crossject		1/10				

Social

The level of information concerning social issues is also quite limited, not a real surprise for a small cap company. However, the group indicates that its equality index (Gaia index) reached 84/100 for FY20. Also see the “workforce section”.

Social score

Company (Sector)

5.5

(6.4)

Quantitative metrics (67%)

Set of staff related numerical metrics available in AlphaValue proprietary modelling aimed at ranking on social/HR matters

Parameters	Score	Weight
Staffing Trend	9/10	15%
Average wage trend	7/10	30%
Share of added value taken up by staff cost	1/10	20%
Share of added value taken up by taxes	1/10	15%
Wage dispersion trend	6/10	20%
Pension bonus (0 or 1)	0	
Quantitative score	5.0/10	100%

Qualitative metrics (33%)

Set of listed qualitative criterias and for the analyst to tick

Parameters	Score	Weight
Accidents at work	4/10	25%
Human resources development	8/10	35%
Pay	3/10	20%
Job satisfaction	10/10	10%
Internal communication	10/10	10%
Qualitative score	6.4/10	100%

AlphaValue analysts tick boxes on essential components of the social/HR corporate life. Decision about ticking Yes or No is very much an assessment that combines the corporate's communication on relevant issue and the analyst's better judgment from experience.

Qualitative score

Parameters	Yes  / No 	Weight
Accidents at work		25%
Set targets for work safety on all group sites?		10.0%
Are accidents at work declining?		15.0%
Human resources development		35%
Are competences required to meet medium term targets identified?		3.5%
Is there a medium term (2 to 5 years) recruitment plan?		3.5%
Is there a training strategy tuned to the company objectives?		3.5%
Are employees trained for tomorrow's objectives?		3.5%
Can all employees have access to training?		3.5%
Has the corporate avoided large restructuring lay-offs over the last year to date?		3.5%
Have key competences stayed?		3.5%
Are managers given managerial objectives?		3.5%
If yes, are managerial results a deciding factor when assessing compensation level?		3.5%
Is mobility encouraged between operating units of the group?		3.5%
Pay		20%
Is there a compensation committee?		6.0%
Is employees' performance combining group AND individual performance?		14.0%
Job satisfaction		10%
Is there a measure of job satisfaction?		3.3%
Can anyone participate ?		3.4%
Are there action plans to prop up employees' morale?		3.3%
Internal communication		10%
Are strategy and objectives made available to every employee?		10.0%
Qualitative score	6.4/10	100.0%

Staff & Pension matters

At year-end 2020, Crossject employed 93 people (79 in 2019, 72 in 2018, 59 employees in 2017, 39 in FY16 and 23 in FY15). We expect this number to rise, although we have considered that all NTEs under development will be marketed through partnerships, which does not require a significant workforce. Of course, the situation could be different if the group decided to change this marketing policy in the future, although we don't believe Crossject will market its products on its own in the foreseeable future.

Recent updates

29/03/2022

FY21: not very meaningful, as expected

Earnings/sales releases

Crossject released an expected set of FY21 results

The industrialisation process of Zeneo is on track

The group's financing for FY22 seems to be secured

We will adjust our model to account for the latest developments

Fact

Crossject released FY21 results. Revenues reached €6,772k vs €5.73m, operating result €-11,823k vs €-10,672k, and net result €-10,698k vs €-9,844k. Gross cash at the end of FY21 amounted to €10.0m vs €8.2m the year before.

Analysis

As a start, it is worth mentioning, much the same as after each release from the group that, as usual, the numbers are of little relevance since the story of Crossject is based on the future launch of Zeneo combined with the NTEs the group is targeting. In particular, the group's top line has so far little meaning, as well as the losses posted by the company. That said, and as is also often the case, we note that operating expenses have been kept under control, reaching €18,595k vs €16,403k a year earlier. This had enabled the company to post a net result close to where it landed last year as well, thanks to the higher level of "CIR" (credit on research) which reached €1.8m.

On the operating front, the company indicated that the production of batches concerning Zeneo Hydrocortisone and Zeneo Midazolam has made progress, with a target to ask for a marketing authorisation ("AMM") by 2023. The same work is in progress, though at an earlier stage, concerning Zeneo Adrenaline, while the group also announced it no longer has ambitions to invest in Zeneo Apomorphine (Parkinson's disease) to pursue more promising opportunities. As a reminder, the company is also still waiting for the results of a call for tender of Barda (Biomedical Advanced Research and Development Authority), the timing of which is still unknown. As far as FY22 is concerned, the company intends to produce the products needed to apply for marketing authorisations, carry on the bioequivalence study for Zeneo Midazolam and sign new commercial agreements after the one reached with Eton Pharmaceuticals on Zeneo Hydrocortisone. Altogether, the group estimates that the total turnover achievable by its distributors could reach as much as €900m (half of which from the three main applications under development). Assuming a 35-40% share of this turnover for Crossject, this would imply €320-360m in net revenues which is substantially higher than the c.€300m that we expect by... FY28. Lastly, the financing for FY22 should be secured by the gross cash in the company, the research credits, as well as potential licensing revenues, even if other options (capital increase) could be considered.

Impact

We will adjust our model on the back of this release. In particular, we will fine-tune our numbers based on the latest information available concerning the expected market launches of the group's products.

17/12/2021

New financing

Financing issue

Crossject has announced the issuance of convertible bonds.

It also grants free subscription rights to existing shareholders.

The financing of FY22 is thus secured and gives the group time to reach the market.

We will fine-tune our model and integrate this issuance.

Fact

Crossject has just announced the issuance of convertible bonds and the free granting of subscription rights to its shareholders.

Analysis

In an unsurprising move, the group announced it has issued €7.5m in convertible bonds (no coupon, issued at 92% of its nominal value and maturing on 31 December 2024), including €1.5m by Gemmes Venture, its main shareholder, and other qualified investors. The conversion price will be the minimum between €3.30 and 92% of a weighted average share price during a period before the conversion. The group also announced that existing shareholders (as at 31 December 2021) will be granted free subscription rights, every 20 rights enabling them to buy a share at a price of €3 between 12 January and 30 June 2022. This could lead to the issuance of 1.3m shares and a strengthening of shareholders' funds by €3.9m.

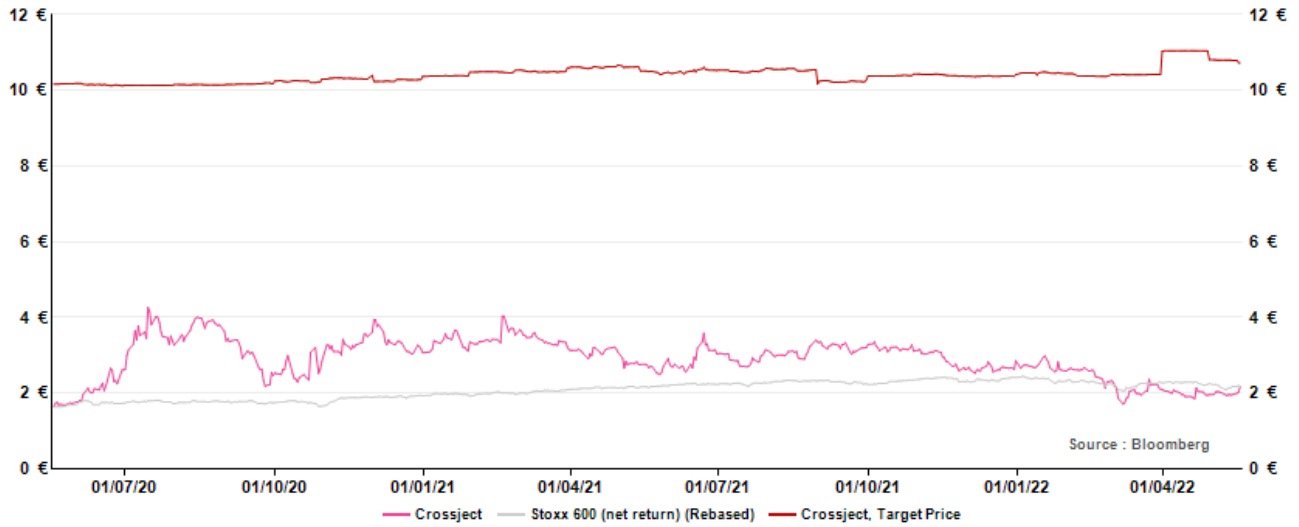
Altogether (i.e. including convertible bonds) the group could raise as much as €11.5m during FY22 (without taking into account potential licensing revenues or subsidies) which should rather easily fill its needs for the coming year.

Looking beyond FY22, the visibility is less clear since it is still too early to assess the potential cash inflows that could benefit the company during the coming year. However, we take the news as rather good since it secures FY22 and shows once again the confidence of its main shareholders.

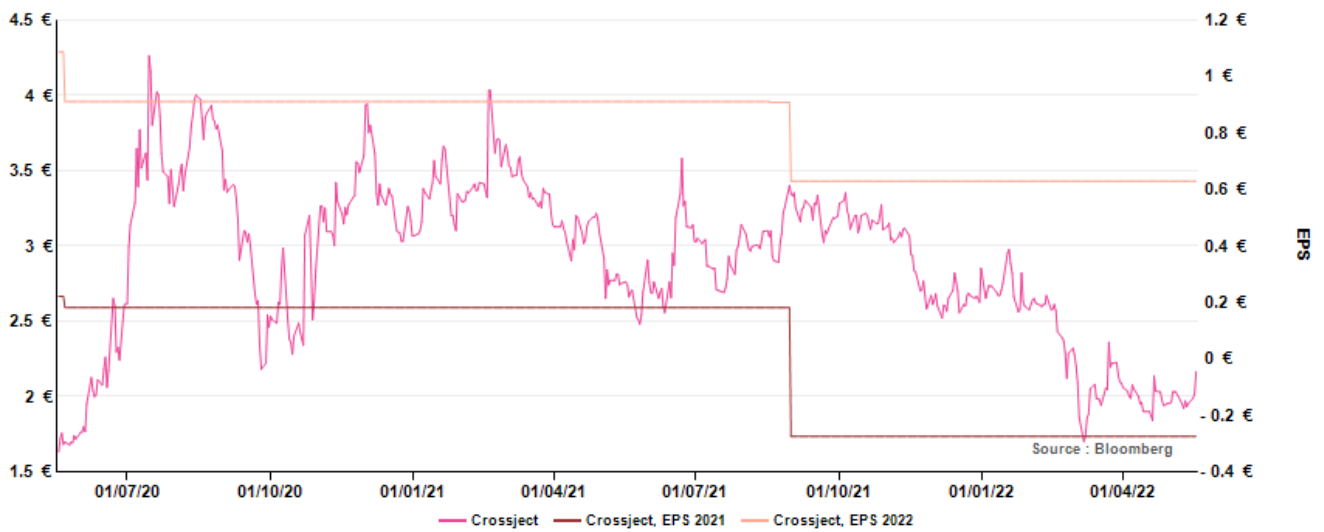
Impact

We will adjust our numbers to take into account the convertible issuance.

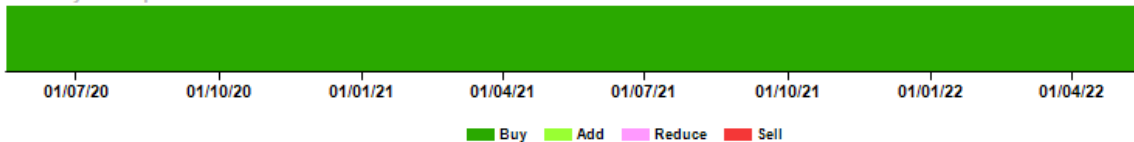
Stock Price and Target Price



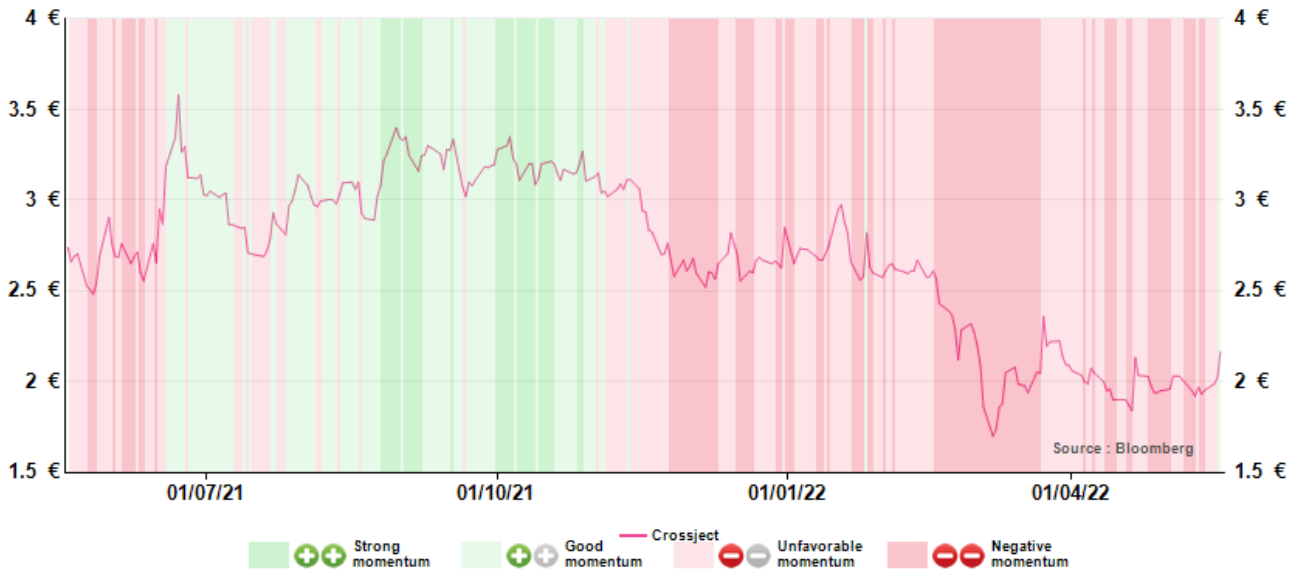
Earnings Per Share & Opinion



Crossject : Opinion



Momentum






Momentum analysis consists in evaluating the stock market trend of a given financial instrument, based on the analysis of its trading flows.



The main indicators used in our momentum tool are simple moving averages over three time frames: short term (20 trading days), medium term (50 days) and long term (150 days). The positioning of these moving averages relative to each other gives us the direction of the flows over these time frames.


For example, if the short and medium-term moving averages are above the long-term moving average, this suggests an uptrend which will need to be confirmed. Attention is also paid to the latest stock price relative to the three moving averages (advance indicator) as well as to the trend in these three moving averages - downtrend, neutral, uptrend - which is more of a lagging indicator.

The trend indications derived from the flows through moving averages and stock prices must be confirmed against trading volumes in order to confirm the signal. This is provided by a calculation based on the average increase in volumes over ten weeks together with a buy/sell volume ratio.

 : Strong momentum corresponding to a continuous and overall positive moving average trend confirmed by volumes

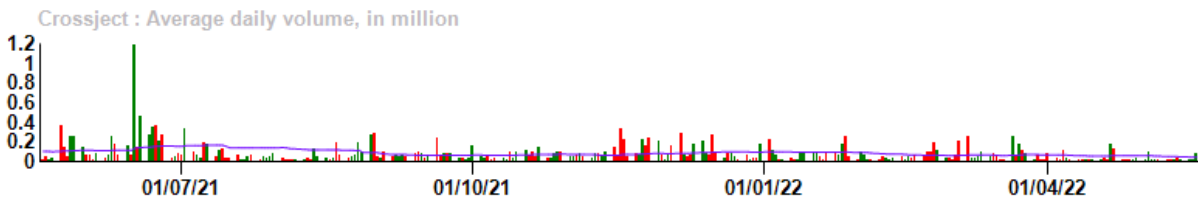
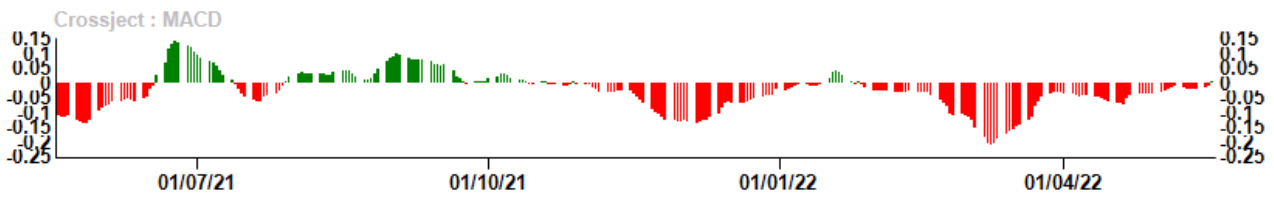
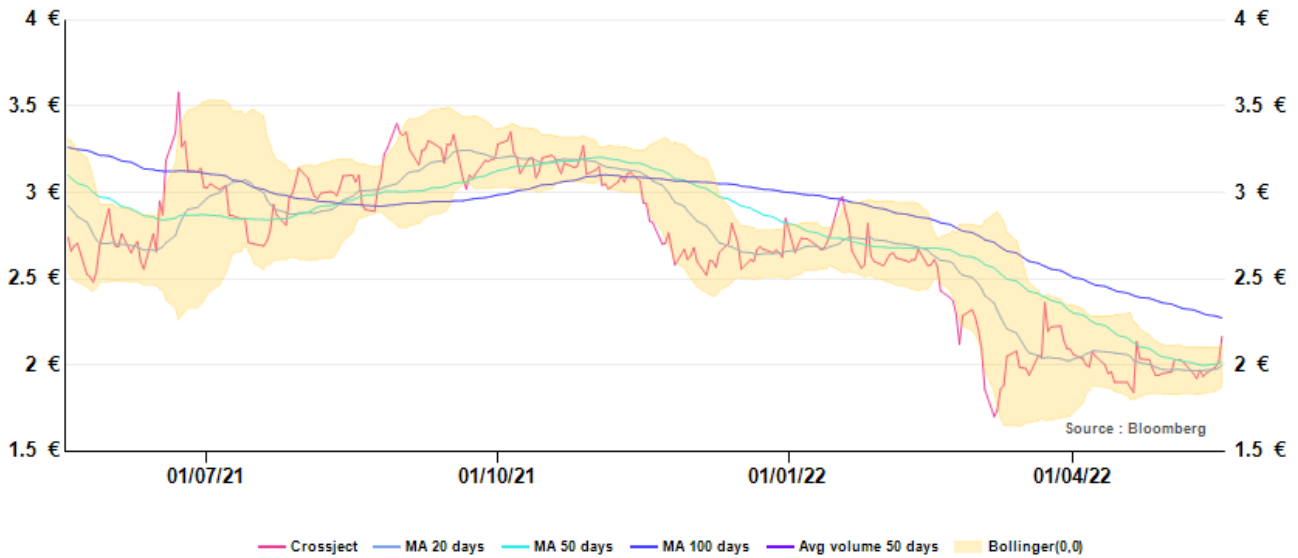
  : Relatively good momentum corresponding to a positively-oriented moving average, but offset by an overbought pattern or lack of confirmation from volumes

  : Relatively unfavorable momentum with a neutral or negative moving average trend, but offset by an oversold pattern or lack of confirmation from volumes

 : Strongly negative momentum corresponding to a continuous and overall negative moving average trend confirmed by volumes

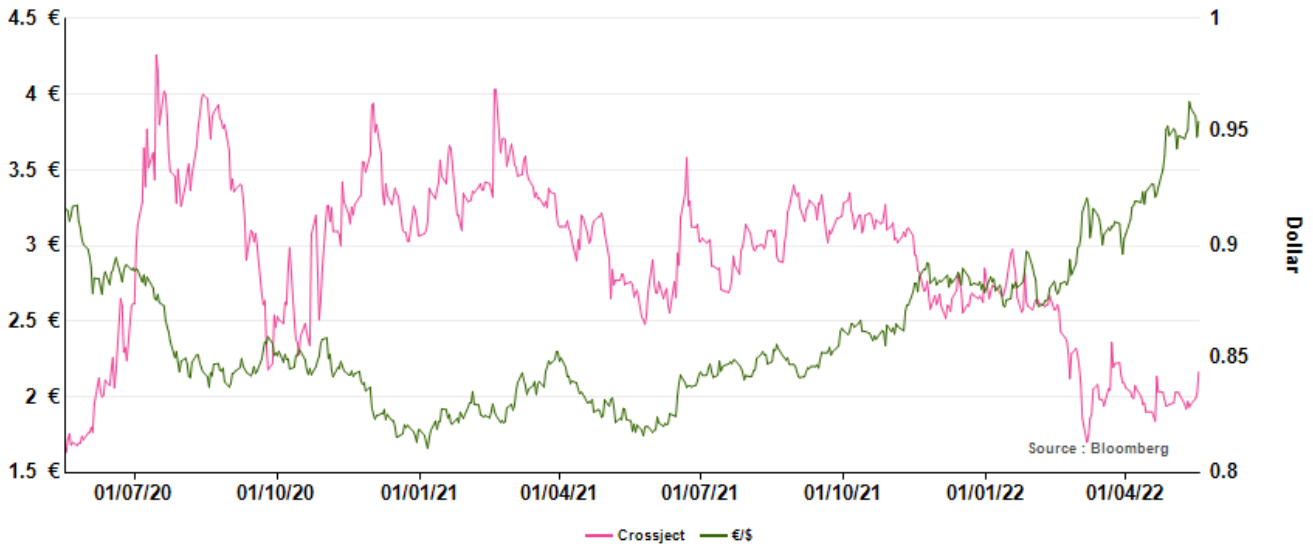
Crossject (Buy)

Moving Average MACD & Volume

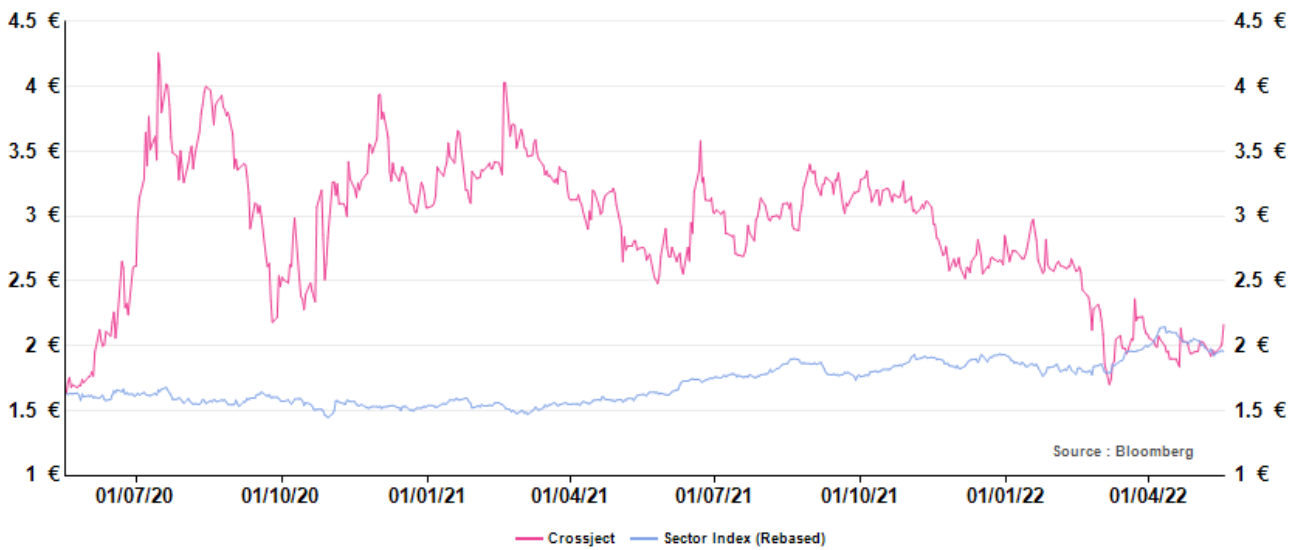


Crossject (Buy)

€/\$ sensitivity



Sector Pharma



Detailed Financials

Valuation Key Data		12/20A	12/21E	12/22E	12/23E
Adjusted P/E	x	-5.33	-11.1	3.44	1.54
Reported P/E	x	-5.83	-11.8	3.42	1.53
EV/EBITDA(R)	x	-11.3	-16.9	3.94	2.04
EV/EBIT	x	-7.11	-10.7	4.48	2.16
EV/Sales	x	13.2	16.8	2.11	1.23
P/Book	x	-52.1	-10.4	6.27	1.23
Dividend yield	%	0.00	0.00	0.00	0.00
<i>Free cash flow yield</i>	%	-18.2	-4.61	-63.7	-11.8
Average stock price	€	2.63	3.07	2.17	2.17

Crossject (Buy)

Consolidated P&L		12/20A	12/21E	12/22E	12/23E
Sales	€M	5.73	5.86	51.9	94.6
<i>Sales growth</i>	%	-4.39	2.17	787	82.1
<i>Sales per employee</i>	€th	72.5	70.5	618	1,087
Purchases and external costs (incl. IT)	€M	6.04	5.53	18.3	27.0
R&D costs as % of sales	%	0.00	0.00	0.00	0.00
Staff costs	€M	-6.00	-6.00	-7.00	-7.00
Operating lease payments	€M				
Cost of sales/COGS (indicative)	€M	6.04	5.53	15.7	22.3
EBITDA	€M	-6.69	-5.81	27.8	57.1
EBITDA(R)	€M	-6.69	-5.81	27.8	57.1
<i>EBITDA(R) margin</i>	%	-117	-99.2	53.6	60.3
<i>EBITDA(R) per employee</i>	€th	-84.7	-70.0	332	656
Depreciation	€M	-3.95	-3.35	-3.35	-3.35
<i>Depreciations/Sales</i>	%	68.9	57.2	6.45	3.54
Amortisation	€M				
Additions to provisions	€M	0.00	0.00	0.00	0.00
Underlying operating profit	€M	-10.6	-9.16	24.5	53.7
<i>Underlying operating margin</i>	%	-186	-156	47.2	56.8
Other income/expense (cash)	€M	0.00	0.00	0.00	0.00
Impairment charges/goodwill amortisation	€M				
Operating profit (EBIT)	€M	-10.6	-9.16	24.5	53.7
Interest expenses	€M	-0.70	-0.70	-0.70	-0.70
<i>of which effectively paid cash interest expenses</i>	€M	-1.00			
Financial income	€M	0.16	0.00	0.00	0.00
Other financial income (expense)	€M				
Net financial expenses	€M	-0.54	-0.70	-0.70	-0.70
<i>of which related to pensions</i>	€M		0.00	0.00	0.00
Pre-tax profit before exceptional items	€M	-11.2	-9.86	23.8	53.0
Exceptional items and other (before taxes)	€M	-0.56	0.00	0.00	0.00
Current tax	€M	1.65	3.25	-7.85	-17.5
Deferred tax	€M				
Corporate tax	€M	1.65	3.25	-7.85	-17.5
<i>Tax rate</i>	%	14.7	33.0	33.0	33.0
<i>Net margin</i>	%	-166	-113	30.7	37.5
Equity associates	€M				
<i>Actual dividends received from equity holdings</i>	€M				
Minority interests	€M				
Income from discontinued operations	€M				
Attributable net profit	€M	-10.1	-6.61	15.9	35.5
Impairment charges/goodwill amortisation	€M	0.00	0.00	0.00	0.00
Other adjustments	€M				
Adjusted attributable net profit	€M	-10.1	-6.61	15.9	35.5
Fully diluted adjusted attr. net profit	€M	-10.1	-6.61	15.9	35.5
NOPAT	€M	-7.45	-6.41	17.1	37.6

Crossject (Buy)

Cashflow Statement

		12/20A	12/21E	12/22E	12/23E
EBITDA	€M	-6.69	-5.81	27.8	57.1
Change in WCR	€M	0.96	1.39	-51.4	-43.0
<i>of which (increases)/decr. in receivables</i>	€M	0.00	0.00	-28.4	-23.4
<i>of which (increases)/decr. in inventories</i>	€M	-0.07	1.53	-28.4	-23.4
<i>of which increases/(decr.) in payables</i>	€M	0.44	-0.20	5.48	3.63
<i>of which increases/(decr.) in other curr. liab.</i>	€M	0.59	0.06	0.06	0.07
Actual dividends received from equity holdings	€M	0.00	0.00	0.00	0.00
Paid taxes	€M	1.65	3.25	-7.85	-17.5
Exceptional items	€M	0.00	0.00	0.00	0.00
Other operating cash flows	€M	0.00	0.00	0.00	0.00
Total operating cash flows	€M	-4.09	-1.17	-31.4	-3.49
Capital expenditure	€M	-6.10	-1.72	-2.66	-2.27
<i>Capex as a % of depreciation & amort.</i>	%	154	51.2	79.3	67.6
Net investments in shares	€M	0.00	0.00	0.00	0.00
Other investment flows	€M	0.00	0.00	0.00	0.00
Total investment flows	€M	-6.10	-1.72	-2.66	-2.27
Net interest expense	€M	-0.54	-0.70	-0.70	-0.70
<i>of which cash interest expense</i>	€M	-1.00	-0.70	-0.70	-0.70
Dividends (parent company)	€M				
Dividends to minorities interests	€M	0.00	0.00	0.00	0.00
New shareholders' equity	€M	0.00	0.00	0.00	0.00
<i>of which (acquisition) release of treasury shares</i>	€M				
(Increase)/decrease in net debt position	€M		13.9	24.8	10.0
Other financial flows	€M	0.00	0.00	0.00	0.00
Total financial flows	€M	-1.00	13.2	24.1	9.30
Change in cash position	€M	-11.2	10.3	-9.96	3.55
Change in net debt position	€M	-11.2	-3.59	-34.7	-6.45
Free cash flow (pre div.)	€M	-10.7	-3.59	-34.7	-6.45
Operating cash flow (clean)	€M	-4.09	-1.17	-31.4	-3.49
<i>Reinvestment rate (capex/tangible fixed assets)</i>	%	90.2	28.8	43.5	38.7

Crossject (Buy)

Balance Sheet		12/20A	12/21E	12/22E	12/23E
Capitalised R&D	€M	7.53	7.19	6.86	6.52
Goodwill	€M	0.00	0.00	0.00	0.00
Contracts & Rights (incl. concession) intangible assets	€M	0.00	0.00	0.00	0.00
Other intangible assets	€M	0.01	0.01	0.01	0.01
Total intangible	€M	7.54	7.20	6.87	6.53
Tangible fixed assets	€M	6.76	5.96	6.10	5.86
Financial fixed assets (part of group strategy)	€M	0.11	0.11	0.11	0.11
Financial hedges (LT derivatives)	€M	0.00	0.00	0.00	0.00
Other financial assets (investment purpose mainly)	€M	0.51	0.51	0.51	0.51
<i>of which available for sale</i>	€M	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
WCR	€M	-2.05	-3.43	47.9	91.0
<i>of which trade & receivables (+)</i>	€M	<i>0.00</i>	<i>0.00</i>	<i>28.4</i>	<i>51.8</i>
<i>of which inventories (+)</i>	€M	<i>1.53</i>	<i>0.00</i>	<i>28.4</i>	<i>51.8</i>
<i>of which payables (+)</i>	€M	<i>2.35</i>	<i>2.15</i>	<i>7.63</i>	<i>11.3</i>
<i>of which other current liabilities (+)</i>	€M	<i>1.22</i>	<i>1.28</i>	<i>1.34</i>	<i>1.41</i>
Other current assets	€M	8.88	8.62	8.36	8.09
<i>of which tax assets (+)</i>	€M	<i>2.65</i>	<i>2.65</i>	<i>2.65</i>	<i>2.65</i>
Total assets (net of short term liabilities)	€M	21.7	19.0	69.9	112
Ordinary shareholders' equity (group share)	€M	-1.13	-7.50	8.69	44.4
Minority interests	€M				
Provisions for pensions	€M		0.00	0.00	0.00
Other provisions for risks and liabilities	€M	0.13	0.13	0.13	0.13
Deferred tax liabilities	€M	0.00	0.00	0.00	0.00
Other liabilities	€M	6.01	6.01	6.01	6.01
Net debt / (cash)	€M	16.7	20.3	55.0	61.5
Total liabilities and shareholders' equity	€M	21.7	19.0	69.9	112
Average net debt / (cash)	€M	10.9	18.5	37.7	58.3

EV Calculations		12/20A	12/21E	12/22E	12/23E
EV/EBITDA(R)	x	-11.3	-16.9	3.94	2.04
EV/EBIT	x	-7.11	-10.7	4.48	2.16
EV/Sales	x	13.2	16.8	2.11	1.23
EV/Invested capital	x	6.13	9.99	1.80	1.12
Market cap	€M	58.9	77.9	54.5	54.5
+ Provisions (including pensions)	€M	0.13	0.13	0.13	0.13
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00	0.00
+ Net debt at year end (ex Right-of-use from 2019)	€M	16.7	20.3	55.0	61.5
+ Right-of-use (from 2019)/Leases debt equivalent	€M	0.00	0.00	0.00	0.00
- Financial fixed assets (fair value) & Others	€M				
+ Minority interests (fair value)	€M				
= Enterprise Value	€M	75.7	98.3	110	116

Crossject (Buy)

Per Share Data

		12/20A	12/21E	12/22E	12/23E
Adjusted EPS (bfr goodwill amort. & dil.)	€	-0.49	-0.28	0.63	1.41
<i>Growth in EPS</i>	%	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	123
Reported EPS	€	-0.45	-0.26	0.63	1.41
Net dividend per share	€	0.00	0.00	0.00	0.00
Free cash flow per share	€	-0.52	-0.15	-1.37	-0.26
Operating cash flow per share	€	-0.20	-0.05	-1.24	-0.14
Book value per share	€	-0.05	-0.30	0.35	1.77
Number of ordinary shares	Mio	22.4	25.3	25.3	25.3
Number of equivalent ordinary shares (year end)	Mio	22.4	25.3	25.3	25.3
Number of shares market cap.	Mio	22.4	25.3	25.3	25.3
Treasury stock (year end)	Mio	0.00	0.00	0.16	0.16
Number of shares net of treasury stock (year end)	Mio	22.4	25.3	25.2	25.2
Number of common shares (average)	Mio	20.4	23.9	25.3	25.2
Conversion of debt instruments into equity	Mio	0.10	0.10	0.10	0.10
Settlement of cashable stock options	Mio				
Probable settlement of non mature stock options	Mio				
Other commitments to issue new shares	Mio				
Increase in shares outstanding (average)	Mio	0.10	0.10	0.10	0.10
Number of diluted shares (average)	Mio	20.5	24.0	25.4	25.3
Goodwill per share (diluted)	€	0.00	0.00	0.00	0.00
EPS after goodwill amortisation (diluted)	€	-0.49	-0.28	0.63	1.41
EPS before goodwill amortisation (non-diluted)	€	-0.50	-0.28	0.63	1.41
Payout ratio	%	0.00	0.00	0.00	0.00
Capital payout ratio (div +share buy back/net income)	%	0.00	0.00	0.00	

Funding - Liquidity		12/20A	12/21E	12/22E	12/23E
EBITDA	€M	-6.69	-5.81	27.8	57.1
Funds from operations (FFO)	€M	-6.05	-3.26	19.3	38.9
Ordinary shareholders' equity	€M	-1.13	-7.50	8.69	44.4
Gross debt	€M	17.3	31.2	56.0	66.0
o/w Less than 1 year - Gross debt	€M	3.70	0.64		
o/w 1 to 5 year - Gross debt	€M	0.64	0.60	1.00	1.00
of which Y+2	€M	0.64			1.00
of which Y+3	€M			1.00	
of which Y+4	€M		0.60		
of which Y+5	€M	0.60			
o/w Beyond 5 years - Gross debt	€M	13.0	30.0	55.0	65.0
+ Gross Cash	€M	0.61	10.9	0.96	4.51
= Net debt / (cash)	€M	16.7	20.3	55.0	61.5
Bank borrowings	€M	8.00	25.0	40.0	40.0
Issued bonds	€M	5.80	5.80	5.80	5.80
Other financing	€M	3.54	0.44	10.2	20.2
Gearing (at book value)	%			434	131
Equity/Total asset (%)	%	-5.20	-39.5	12.4	39.7
Adj. Net debt/EBITDA(R)	x	-2.50	-3.50	1.98	1.08
Adjusted Gross Debt/EBITDA(R)	x	-2.61	-5.40	2.02	1.16
Adj. gross debt/(Adj. gross debt+Equity)	%	107	131	86.6	59.8
Ebit cover	x	-19.7	-13.1	35.0	76.7
FFO/Gross Debt	%	-34.6	-10.4	34.4	58.8
FFO/Net debt	%	-36.1	-16.0	35.1	63.2
FCF/Adj. gross debt (%)	%	-61.4	-11.4	-61.9	-9.76
(Gross cash+ "cash" FCF+undrawn)/ST debt	x	-2.74	11.4		
"Cash" FCF/ST debt	x	-3.02	-5.59		

ROE Analysis (Dupont's Breakdown)		12/20A	12/21E	12/22E	12/23E
Tax burden (Net income/pretax pre excp income)	x	0.90	0.67	0.67	0.67
EBIT margin (EBIT/sales)	%	-186	-156	47.2	56.8
Assets rotation (Sales/Avg assets)	%	32.0	28.8	117	104
Financial leverage (Avg assets /Avg equity)	x	19.0	-4.72	74.6	3.42
ROE	%	-1,072	153	2,677	134
ROA	%	-86.9	-94.2	40.2	52.0

Shareholder's Equity Review (Group Share)		12/20A	12/21E	12/22E	12/23E
Y-1 shareholders' equity	€M	4.18	-5.92	-7.50	8.69
+ Net profit of year	€M	-10.1	-6.61	15.9	35.5
- Dividends (parent cy)	€M	0.00	0.00	0.00	0.00
+ Additions to equity	€M	0.00	0.00	0.00	0.00
o/w reduction (addition) to treasury shares	€M	0.00	0.00	0.00	0.00
- Unrecognised actuarial gains/(losses)	€M	0.00	0.00	0.00	0.00
+ Comprehensive income recognition	€M		5.03	0.24	0.24
= Year end shareholders' equity	€M	-5.92	-7.50	8.69	44.4

Staffing Analytics

		12/20A	12/21E	12/22E	12/23E
Sales per staff	€th	72.5	70.5	618	1,087
Staff costs per employee	€th	-75.9	-72.3	-83.3	-80.5
Change in staff costs	%	20.0	0.00	16.7	0.00
Change in unit cost of staff	%	13.9	-4.82	15.3	-3.45
Staff costs/(EBITDA+Staff costs)	%	-863	3,150	20.1	10.9

Average workforce	unit	79.0	83.0	84.0	87.0
Europe	unit	80.0	83.0	85.0	88.0
North America	unit	0.00	0.00	0.00	0.00
South Americas	unit	0.00	0.00	0.00	0.00
Asia	unit	0.00	0.00	0.00	0.00
Other key countries	unit	0.00	0.00	0.00	0.00
Total staff costs	€M	-6.00	-6.00	-7.00	-7.00
Wages and salaries	€M	-6.00	-6.00	-7.00	-7.00
of which social security contributions	€M	-2.00	-2.00	-3.00	-3.00
Pension related costs	€M		0.00	0.00	0.00

Divisional Breakdown Of Revenues

		12/20A	12/21E	12/22E	12/23E
Total sales	€M	5.74	5.86	51.9	94.6
Methotrexate	€M	0.00	0.00	8.59	17.2
Epinephrine	€M	0.00	0.00	15.8	21.0
Sumatriptan	€M	0.00	0.00	0.00	3.77
Midazolam	€M	0.00	0.00	15.4	23.1
Hydrocortisone	€M	0.00	0.00	2.10	4.21
Naloxone	€M	0.00	0.00	4.96	13.2
Apomorphine	€M	0.00	0.00	0.00	0.00
Terbutaline	€M	0.00	0.00	5.07	12.0
Other	€M	5.74	5.86	0.01	0.01

Divisional Breakdown Of Earnings

		12/20A	12/21E	12/22E	12/23E
EBIT Analysis					
Royalty income	€M				
Product sales	€M	0.00	0.00	51.9	94.6
Other/cancellations	€M				
Total	€M	0.00	0.00	51.9	94.6
EBIT margin	%	0.00	0.00	100.0	100.0

Revenue Breakdown By Country

		12/20A	12/21E	12/22E	12/23E
Europe	%	25.0	25.0		
Of Which France	%	10.0	10.0		
Americas	%	55.0	55.0		
Asia	%	20.0	20.0		
Of Which China	%	15.0	15.0		
Other	%	0.00	0.00		

Crossject (Buy)

ROCE		12/20A	12/21E	12/22E	12/23E
ROCE (NOPAT+lease exp. *(1-tax))/(net) cap employed adjusted	%	-60.3	-65.2	28.1	36.3
CFROIC	%	-86.8	-36.5	-56.9	-6.24
Goodwill	€M	0.00	0.00	0.00	0.00
Accumulated goodwill amortisation	€M	0.00	0.00	0.00	0.00
All intangible assets	€M	0.01	0.01	0.01	0.01
Accumulated intangible amortisation	€M	0.00	0.00	0.00	0.00
Financial hedges (LT derivatives)	€M	0.00	0.00	0.00	0.00
Capitalised R&D	€M	7.53	7.19	6.86	6.52
Rights of use/ Capitalised leases	€M	0.00	0.00	0.00	0.00
Other fixed assets	€M	6.76	5.96	6.10	5.86
Accumulated depreciation	€M	0.00	0.00	0.00	0.00
WCR	€M	-2.05	-3.43	47.9	91.0
Other assets	€M	0.11	0.11	0.11	0.11
Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00	0.00
Capital employed after deprec. (Invested capital)	€M	12.4	9.84	61.0	103
Capital employed before depreciation	€M	12.4	9.84	61.0	103

Divisional Breakdown Of Capital Employed		12/20A	12/21E	12/22E	12/23E
Royalty income	€M				
Product sales	€M				
Other	€M	12.4	9.84	61.0	103
Total capital employed	€M	12.4	9.84	61.0	103

Fundamental Opinion

It is implicit that recommendations are made in good faith but should not be regarded as the sole source of advice.

Recommendations are geared to a “value” approach.

Valuations are computed from the point of view of a **secondary market minority holder** looking at a medium term (say 6 months) performance.

Valuation tools are built around the concepts of **transparency**, all underlying figures are accessible, and **consistency**, same methodology whichever the stock, allowing for differences in nature between financial and non financial stocks. A stock with a target price below its current price should not and will not be regarded as an Add or a Buy.

Recommendations are based on target prices with no allowance for dividend returns. The thresholds for the four recommendation levels may change from time to time depending on market conditions. Thresholds are defined as follows, ASSUMING long risk free rates remain in the 2-5% region.

Recommendation	Low Volatility 10 < VIX index < 30	Normal Volatility 15 < VIX index < 35	High Volatility 35 < VIX index
Buy ●	More than 15% upside	More than 20% upside	More than 30% upside
Add ●	From 5% to 15%	From 5% to 20%	From 10% to 30%
Reduce ●	From -10% to 5%	From -10% to 5%	From -10% to 10%
Sell ●	Below -10%	Below -10%	Below -10%

There is deliberately no “neutral” recommendation. The principle is that there is no point investing in equities if the return is not at least the risk free rate (and the dividend yield which again is not allowed for).

Although recommendations are automated (a function of the target price whenever a new equity research report is released), the management of AlphaValue intends to maintain global consistency within its universe coverage and may, from time to time, decide to change global parameters which may affect the level of recommendation definitions and /or the distribution of recommendations within the four levels above. For instance, lowering the risk premium in a gloomy context may increase the proportion of positive recommendations.

Valuation

Valuation processes have been organized around transparency and consistency as primary objectives.

Stocks belong to different categories that recognise their main operating features : Banks, Insurers and Non Financials.

Within those three universes, the valuation techniques are the same and in relation to the financial data available.

The weighting given to individual valuation techniques is managed centrally and may be changed from time to time. As a rule, all stocks of a similar profile are valued using equivalent weighting of the various valuation techniques. This is for obvious consistency reasons.

Within the very large universe of Non Financials, there are in effect 4 sub-categories of weightings to cater for subsets: 1) 'Mainstream' stocks; 2) 'Holding companies' where the stress is on NAV measures; 3) 'Growth' companies where the stress is on peer based valuations; 4) 'Loss making sectors' where peers review is essentially pointing nowhere (ex: Bio techs). The bulk of the valuation is then built on DCF and NAV, in effect pushing back the time horizon.

Valuation Issue	Normal industrials	Growth industrials	Holding company	Loss runners	Bank	Insurers
DCF	35%	35%	10%	40%	0%	0%
NAV	20%	20%	55%	40%	50%	15%
PE	10%	10%	10%	5%	10%	20%
EV/EBITDA	20%	20%	0%	5%	0%	0%
Yield	10%	10%	20%	5%	10%	15%
Book	5%	5%	5%	5%	10%	10%
Banks' intrinsic method	0%	0%	0%	0%	10%	0%
Embedded Value	0%	0%	0%	0%	0%	40%
Mkt Cap/Gross Operating Profit	0%	0%	0%	0%	10%	0%